

UNICOI COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT

COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

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## INTRODUCTORY SECTION

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT

PRINCIPAL OFFICIALS

AS OF JUNE 30, 2010

BOARD OF DIRECTORS

W. A. Wilson, Jr.	Chairman
Ed Herndon	Vice-Chairman
Kent Harris	Member
Greg Lynch	Member
Brushy Lewis	Member
Jim Pate	Member
Johnny Lynch	Member
Jimmy Erwin	Member
Robert Adams	Member

MANAGEMENT

Patsy Ledford	Director
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## MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010 AND 2009

As financial management of the Unicoi County Emergency Communications District (the "District"), a component unit of the Unicoi County, Tennessee, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole.

### Financial Highlights

Operating loss for the Emergency Communications District was \$69,866 for fiscal year 2010, compared to \$52,738 for fiscal year 2009 and \$78,869 for fiscal year 2008. Net loss produced a decrease in net assets of \$47,702 in 2010, \$27,657 in 2009, and \$30,751 in 2008. The term "net assets" refers to the difference between assets and liabilities. At the close of the fiscal year 2010, the District had net assets of \$399,735, a decrease of 11% over the prior year, and at the close of the fiscal year 2009, the District had net assets of \$447,437, an increase of 6% over the prior year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements, which are comprised of the basic financial statements and the notes to the financial statements. Since the District consists of a single enterprise fund, no fund level financial statements are shown. In addition, the District has no infrastructure assets and is therefore exempt from required infrastructure disclosures. This report also contains other supplementary information concerning the District's budget to actual comparisons and certain non-financial information required by the Tennessee Emergency Communications Board.

**Basic financial statements:** The basic financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net assets present information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net assets which indicates an improved financial position.

The statements of revenues, expenses, and changes in net assets present information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budget to actual comparison and certain non-financial information required by the Tennessee Emergency Communications Board.

### Financial Analysis

Net assets may serve, over time, as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities by \$399,735 at June 30, 2010. This represents a decrease of \$47,702 (11%) over the previous year. The unrestricted net assets were \$84,282. At the close of June 30, 2009, assets exceeded liabilities by \$447,437 and represented a decrease of \$27,657 (6%) over the previous year. The unrestricted net assets were \$163,700.

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2010 AND 2009

Emergency Communications District's Net Assets are as follows for the fiscal years ended June 30, 2010, 2009, and 2008.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current Assets	\$ 84,977	\$ 168,619	\$ 180,745
Capital Assets	<u>315,453</u>	<u>343,738</u>	<u>416,223</u>
Total Assets	400,430	512,357	596,968
Current Liabilities	695	64,920	61,874
Long-Term Liabilities	<u>0</u>	<u>0</u>	<u>60,000</u>
Total Liabilities	695	64,920	121,874
Net Assets:			
Invested in Capital Assets, Net of Related Debt	315,453	283,737	296,223
Unrestricted	<u>84,282</u>	<u>163,700</u>	<u>178,871</u>
Total Net Assets	\$ <u>399,735</u>	\$ <u>447,437</u>	\$ <u>475,094</u>

Emergency Communications District's Changes in Net Assets are as follows for the fiscal years ended June 30, 2010, 2009, and 2008.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating Revenues	\$ 322,308	\$ 307,797	\$ 298,092
Operating Expenses	<u>392,174</u>	<u>360,535</u>	<u>376,961</u>
Income (loss) from Operations	(69,866)	(52,738)	(78,869)
Non-Operating Revenues (Expenses):			
State Grants and Reimbursements	22,251	25,677	45,960
Interest Income	339	1,972	5,972
Interest Expense	<u>(426)</u>	<u>(2,568)</u>	<u>(3,814)</u>
Non-Operating Revenues (Expenses)	<u>22,164</u>	<u>25,081</u>	<u>48,118</u>
Change in Net Assets	(47,702)	(27,657)	(30,751)
Net Assets, Beginning of Year	<u>447,437</u>	<u>475,094</u>	<u>505,845</u>
Net Assets, End of Year	\$ <u>399,735</u>	\$ <u>447,437</u>	\$ <u>475,094</u>

#### Significant Event

In October 2004, the District signed a capital outlay note to purchase communications equipment. The original amount of the loan was \$300,000 with principal payments of \$60,000 due annually. The loan was paid in full as of October 2009. The District currently has no outstanding debt.

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2010 AND 2009

**Cash Flows**

Net cash from operating activities during the year ended June 30, 2010, was \$27,393, an increase of \$27,511 from the prior year amount. This increase was principally due to higher operating revenues. Net cash used by capital and financing activities included repayment of debt of \$60,000 and purchase of equipment of \$41,294 during the year ended June 30, 2010. Net cash from investing activities for the year ended June 30, 2010 included the redemption of a CD totaling \$24,994.

Net cash used operating activities during the year ended June 30, 2009 was \$118 which was principally due to lower operating revenues. Net cash used financing activities during the year ended June 30, 2009 included \$60,000 of repayment of debt. Net cash from investing activities for the year ended June 30, 2009 was \$51,912 which was from the redemption of two certificates of deposit during the year.

**Budgeting Highlights**

The original budgets were approved in June 2009 for the fiscal year ended June 30, 2010; and in June 2008 for the fiscal year ended June 30, 2009, and were amended as needed through out each year. The original and final budgets are presented as separate columns in the required supplementary information.

**Capital Asset and Debt Administration**

Capital Assets: The District's investment in capital assets amounts to \$315,453, net of accumulated depreciation as of June 30, 2010, a decrease of \$28,285. Capital assets primarily include building, communications equipment and computer hardware and software used in 911 communications.

Long-Term Debt: The District had no long-term debt as of June 30, 2010 and 2009, respectively.

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Unicoi County Emergency Communications District, 102 North Main Street, Erwin, Tennessee 37650.



## FINANCIAL SECTION

# Lewis & Associates, P.C.

— Certified Public Accountants —

Kenneth L. Lewis, C.P.A.,  
President

## INDEPENDENT AUDITORS' REPORT

John F. Hunter, CPA  
T. Craig Ratliff, CPA  
Wayne Turbyfield, CPA  
Jeff Jennings, CPA  
Jennifer C. Penix, CPA  
Michel G. O'Rourke, CPA  
Karen Glover, CPA

To The Board of Directors  
Unicoi County Emergency  
Communications District  
Unicoi, Tennessee

We have audited the accompanying basic financial statements of the Unicoi County Emergency Communications District a component unit of the Unicoi County, Tennessee, as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Emergency Communications District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Unicoi County Emergency Communications District, as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2011 on our consideration of the Unicoi County Emergency Communications District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.



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Virginia Society of Certified Public Accountants

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 4 and 14 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Unicoi County Emergency Communications District. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
Lewis & Associates, P.C.

Johnson City, Tennessee  
February 14, 2011

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENTS OF NET ASSETS  
JUNE 30, 2010 AND 2009

ASSETS	<u>2010</u>	<u>2009</u>
Current Assets		
Cash – Checking	\$ 19,750	\$ 36,000
Cash - Certificates of Deposit	52,433	77,433
Accounts Receivable	12,794	20,516
Due from TN Emergency Communications Board	<u>0</u>	<u>34,670</u>
Total Current Assets	84,977	168,619
Capital Assets		
Building	188,857	188,857
Office Equipment	48,179	41,384
Communications Equipment	<u>559,750</u>	<u>525,252</u>
	796,786	755,493
Less: Accumulated Depreciation	<u>(481,333)</u>	<u>(411,755)</u>
Net Capital Assets	<u>315,453</u>	<u>343,738</u>
Total Assets	<u>400,430</u>	<u>512,357</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	695	4,403
Accrued Interest Payable	0	517
Notes Payable – Current	<u>0</u>	<u>60,000</u>
Total Liabilities	<u>695</u>	<u>64,920</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	315,453	283,738
Unrestricted Net Assets	<u>84,282</u>	<u>163,699</u>
Total Net Assets	\$ <u>399,735</u>	\$ <u>447,437</u>

The accompanying notes are an integral part of these financial statements.

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Operating Revenue		
Emergency Telephone Service Charge	\$ 157,173	\$ 171,168
Tennessee Emergency Communications Board		
-Shared Wireless Charge	44,655	38,460
Tennessee Emergency Communications Board		
-Operational Funding	114,480	86,169
Other Income	<u>6,000</u>	<u>12,000</u>
Total Operating Revenues	322,308	307,797
Operating Expenses		
Address Mapping Expenses	4,572	0
Audit Services	4,057	2,000
Accounting Services	6,163	6,500
Director	34,145	34,145
Maintenance Personnel	18,870	0
Dispatchers	152,555	151,355
Bonuses	11,500	13,550
Data Processing	5,695	8,726
Facility Relocation Expenses	0	976
Lease Office Equipment	1,474	2,696
Maintenance & Repairs – Communications Equipment	9,047	6,347
Maintenance & Repairs – Building & Facilities	185	0
Maintenance & Repairs - Vehicles	521	143
Maintenance Agreements	8,239	985
Office Supplies	3,650	5,985
Postage	101	360
Custodial Supplies	1,018	1,061
Dues and Memberships	588	540
Small Equipment Purchases	295	1,500
Surety Bonds	100	100
TBI Access Missing Children	2,680	1,260
Travel Expenses	1,025	6,007
Training Expenses	3,163	3,444
Uniforms	1,074	157
Utilities – Cell Phones and Pagers	661	503
Utilities – General Telephone	51,218	39,710
Depreciation	<u>69,578</u>	<u>72,485</u>
Total Operating Expenses	392,174	360,535
Operating Income (Loss)	(69,866)	(52,738)
Non-Operating Revenues (Expenses)		
Tennessee Emergency Communications Board		
Grants and Reimbursements	22,251	25,677
Interest Income	339	1,972
Interest Expense	<u>(426)</u>	<u>(2,568)</u>
Non-Operating Revenues (Expenses)	<u>22,164</u>	<u>25,081</u>
Increase (Decrease) in Net Assets	(47,702)	(27,657)
Net Assets, Beginning of Year	<u>447,437</u>	<u>475,094</u>
Net Assets, End of Year	\$ <u>399,735</u>	\$ <u>447,437</u>

The accompanying notes are an integral part of these financial statements.

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Receipts from Emergency Telephone Service Charges	\$ 158,896	\$ 170,241
Receipts from TN ECB Shared Wireless Charges	53,960	36,265
Receipts from TN ECB Operating Fund	128,841	71,807
Other Receipts	12,000	6,000
Payments to Service Providers	(51,242)	(40,140)
Payments to Suppliers for Goods and Services	<u>(275,062)</u>	<u>(244,291)</u>
Net Cash Provided (Used) by Operating Activities	<u>27,393</u>	<u>(118)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	(41,293)	0
Repayments of Principal	(60,000)	(60,000)
Interest Expense	(938)	(3,140)
State Grants and Reimbursements	<u>4,251</u>	<u>4,673</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(97,980)</u>	<u>(58,467)</u>
Cash Flows from Noncapital Financing Activities		
State Grant and Reimbursement	<u>29,004</u>	<u>10,000</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>29,004</u>	<u>10,000</u>
Cash Flows from Investing Activities:		
Redemption of Certificates of Deposit	24,994	51,912
Interest Income	<u>339</u>	<u>747</u>
Net Cash Provided (Used) by Investing Activities	<u>25,333</u>	<u>52,659</u>
Increase (Decrease) in Cash	(16,250)	4,074
Cash, Beginning of Year	<u>36,000</u>	<u>31,926</u>
Cash, End of Year	\$ <u>19,750</u>	\$ <u>36,000</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (69,866)	\$ (52,738)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:		
Depreciation	69,578	72,485
(Increase) Decrease in Accounts Receivable	7,723	(2,927)
(Increase) Decrease in Due from TN ECB	23,666	(16,557)
Increase (Decrease) in Accounts Payable	<u>(3,708)</u>	<u>(381)</u>
Net Cash Flows from Operating Activities	\$ <u>27,393</u>	\$ <u>(118)</u>

The accompanying notes are an integral part of these financial statements.

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The purpose of the Unicoi County Emergency Communications District is to oversee the operations of the 911 emergency telephone services for the city. The Board consists of nine members and is comprised of the Unicoi County Mayor, Town of Erwin Mayor, Town of Unicoi Mayor, Sheriff of Unicoi County, Director of Emergency Preparedness for Unicoi County, Administrator of Unicoi County Memorial Hospital, Member appointed by Unicoi County Commission, Member of Firefighters Association, and a Member at Large who is appointed by the County Mayor and confirmed by the County Commission.

Reporting Entity

The criteria set forth in Governmental Accounting Standards Board Statement 14 *The Financial Reporting Entity* was used to determine that the Emergency Communications District is a component unit of Unicoi County, Tennessee. The basic, but not the only, criterion for including a potential component unit within the primary government's reporting entity is the primary government's financial accountability for the potential component unit. Unicoi County is the primary government and exercises influence. Several positions of the board of the Emergency Communications District are appointed by the primary government and the remaining positions are based on elected officials of the County and seats maintained by various occupants in the County. The County controls the borrowing power of the Emergency Communications District and sets the rate for the E-911 surcharge income.

Basis of Accounting

The financial statements of the Emergency Communications District have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. As required by Governmental Accounting Standards Board Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting", the Emergency Communications District follows all GASB pronouncements and FASB Statements issued on or before November 30, 1989 except those that conflict with a GASB pronouncement. The District follows only GASB guidance issued after November 30, 1989 and does not follow any FASB guidance issued after that date.

Budgets and Budgetary Accounting

The following procedures are used by the Emergency Communications District in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed throughout the year as a management control device.
2. Budgets are adopted on a modified cash basis. A reconciliation of the budgetary data to the accrual basis financial statements is included with the accompanying financial statements.
3. All budgetary data presented in the accompanying financial statements is the final approved revised data.
4. Budget items can only be revised upon approval of the Board of Directors.

Income Taxes

The Emergency Communications District is an agency organized and existing pursuant to the provisions of Tennessee Code Ann. 7-86-101 which is exempt from federal income taxes pursuant to 26 USC 115 relating to income of states, municipalities, etc.

Revenue and Expenses

The Emergency Communications District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations. The principal operating revenues of the Emergency Communications District are 911 surcharges paid by Unicoi County customers and state shared revenues. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenues are recognized as earned on a monthly basis. When an expense is incurred for the purposes for which both restricted and unrestricted net assets are available, restricted net assets are applied first.

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

For purposes of the Statement of Cash Flows, the Emergency Communications District considers all bank and certificate of deposits and any highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of deposits, less amounts insured by federal deposit insurance. The collateral must be held by the Emergency Communications District, its agent, or by the Federal Reserve, in the Emergency Communications District's name.

Depreciation

Depreciation of capital assets is charged as an expense against operations and accumulated depreciation is reported on the balance sheet. Depreciation is computed using straight-line method over the estimated useful lives, ranging from 5-40 years.

Concentrations of Credit Risk

Financial instruments that potentially subject the Emergency Communications District to concentrations of credit risk are primarily cash, and accounts receivable. The District's bank deposits, including certificates of deposit, are maintained in banks participating in the Tennessee Collateral Pool for Public Deposits and, consequently, are fully insured. Management does not believe that significant credit risk exists at June 30, 2010.

NOTE 2—CASH AND INVESTMENTS

State statutes authorize the Emergency Communication District to invest obligations of the federal government, state government, the state investment pool, certificates of deposit and other time deposits, and repurchase agreements.

At June 30, 2010 and 2009, total demand deposits and certificates of deposit for the Emergency Communication District were insured and/or collateralized in one of the following ways. Deposits were insured by the FDIC up to \$250,000. Deposits in excess of FDIC limits were collateralized by securities pledged by the bank

At June 30, 2010, the District's carrying amount of deposits was \$72,183 and the bank balance was \$72,326. Of the bank balance, all of the \$72,326 was covered by federal depository insurance. At June 30, 2009, the District's carrying amount of deposits was \$113,433, and the bank balance was \$116,148. Of the bank balance, all of the \$116,148 was covered by federal depository insurance.

NOTE 3—PROPERTY, PLANT, AND DEPRECIATION

Capital Assets activity for the year ended June 30, 2010 was as follows:

	June 30, 2009	Additions	Deletions	June 30, 2010
Building and Improvements	\$ 188,857	\$ 0	\$ 0	\$ 188,857
Communications Equipment	525,252	34,498	0	559,750
Office Equipment	41,384	6,795	0	48,179
Total	<u>755,493</u>	<u>41,293</u>	<u>0</u>	<u>796,786</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(34,060)	(11,435)	0	(45,495)
Communications Equipment	(339,761)	(56,485)	0	(396,246)
Office Equipment	(37,934)	(1,658)	0	(39,592)
Total Accumulated Depreciation	<u>(411,755)</u>	<u>(69,578)</u>	<u>0</u>	<u>(481,333)</u>
Net Capital Assets	<u>\$ 343,738</u>	<u>\$ (28,285)</u>	<u>\$ 0</u>	<u>\$ 315,453</u>



UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 3—PROPERTY, PLANT, AND DEPRECIATION (Continued)

Capital Assets activity for the year ended June 30, 2009 was as follows:

	June 30, <u>2008</u>	Additions	Deletions	June 30, <u>2009</u>
Building and Improvements	\$ 188,857	\$ 0	\$ 0	\$ 188,857
Communications Equipment	525,252	0	0	525,252
Office Equipment	<u>41,384</u>	<u>0</u>	<u>0</u>	<u>41,384</u>
Total	<u>755,493</u>	<u>0</u>	<u>0</u>	<u>755,493</u>
Less Accumulated Depreciation:				
Building and Improvements	(22,625)	(11,435)	0	(34,060)
Communications Equipment	(280,756)	(59,005)	0	(339,761)
Office Equipment	<u>(35,889)</u>	<u>(2,045)</u>	<u>0</u>	<u>(37,934)</u>
Total Accumulated Depreciation	<u>(339,270)</u>	<u>(72,485)</u>	<u>0</u>	<u>(411,755)</u>
Capital Assets, Net	\$ <u>416,223</u>	\$ <u>(72,485)</u>	\$ <u>0</u>	\$ <u>343,738</u>

NOTE 4—LONG-TERM DEBT

On October 4, 2004, the Emergency Communications District signed a capital outlay note in the amount of \$300,000 to purchase communications equipment at a rate of 3.45%. The note was paid in full in September 2009. Long-term debt activity for the year ended June 20, 2010 was as follows:

	June 30 <u>2009</u>	Additions	Reductions	June 30 <u>2010</u>	Amount Due Within One Year
Notes Payable	\$ <u>60,000</u>	\$ 0	\$ <u>(60,000)</u>	\$ <u>0</u>	\$ <u>0</u>
Total Notes Payable	\$ <u>60,000</u>	\$ 0	\$ <u>(60,000)</u>	\$ <u>0</u>	\$ <u>0</u>

Long-term debt activity for the year ended June 20, 2009 was as follows:

	June 30 <u>2008</u>	Additions	Reductions	June 30 <u>2009</u>	Amount Due Within One Year
Notes Payable	\$ <u>120,000</u>	\$ 0	\$ <u>(60,000)</u>	\$ <u>60,000</u>	\$ <u>60,000</u>
Total Notes Payable	\$ <u>120,000</u>	\$ 0	\$ <u>(60,000)</u>	\$ <u>60,000</u>	\$ <u>60,000</u>

NOTE 5— RELATED PARTY TRANSACTIONS

The Emergency Communications District contracts monthly bookkeeping services. The contracted bookkeeper as of June 30, 2009 was the wife of the Chairman of the Board of Directors. The contracted bookkeeper provides monthly accounting services for the District which includes the maintaining of accounting records, payment of various bills, and reconciliation of bank accounts. In February 2010, the bookkeeper tendered resignation and a new bookkeeper was hired. The bookkeeper as of June 30, 2010 was not a related party to the Emergency Communications District or any member of Board of Directors.

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 5—RELATED PARTY TRANSACTIONS (Continued)

The Emergency Communications District is a component unit of the Unicoi County. Employees providing dispatch services are employees of Unicoi County and are paid through the County. The District reimburses the County for payroll expenses for these services. During 2010, total payments to the County for employee services were \$205,570.

NOTE 6—RISK MANAGEMENT

The Emergency Communications District is exposed to various risks of loss to theft of, damage to, and destruction of assets; error and omissions; and natural disasters. The Emergency Communications District's risk of loss on the building is covered by its commercial package insurance policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The loss to other assets is not covered. The Emergency Communications District feels that as the prices for equipment dropped, it would cost less to replace damaged items than the cost of insurance.

NOTE 7—SUBSEQUENT EVENTS

Events and transactions were evaluated through February 14, 2011, the date financial statements were issued. During this period no material recognizable or nonrecognizable subsequent events were noted.

## SUPPLEMENTAL INFORMATION SECTION

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
(CASH BASIS BUDGET)  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget (Cash Basis)	Final Budget (Cash Basis)	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Operating Revenue:				
Emergency Telephone Service				
Charges	\$ 128,735	\$ 128,735	\$ 158,896	\$ 30,161
TN ECB Shared Wireless Charges	267,723	267,723	53,960	(213,763)
TN ECB Operational Funding	0	0	128,841	128,841
Other Income	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>0</u>
Total Operating Revenues	408,458	408,458	353,697	(54,761)
Operating Expenses:				
Address Mapping Expenses	0	0	38,372	(38,372)
Auditing Services	6,000	6,000	8,057	(2,057)
Accounting Services	6,000	6,000	6,163	(163)
Contracts with Govt. Agency	62,000	62,000	60,000	2,000
Director	34,145	34,145	34,145	0
Maintenance Personnel	0	0	18,870	(18,870)
Dispatchers	152,555	152,555	152,555	0
Bonuses	12,200	12,200	11,500	700
Data Processing	8,000	8,000	8,169	(169)
Lease Office Equipment	2,500	2,500	1,474	1,026
Maintenance & Repairs – Communications				
Equipment	7,300	9,300	9,047	253
Maintenance & Repairs – Building & Facilities	0	0	185	(185)
Maintenance & Repairs - Vehicles	5,000	3,000	521	2,479
Maintenance Agreements	5,000	5,000	8,239	(3,239)
Office Supplies	7,000	6,800	7,661	(861)
Postage	500	500	101	399
Custodial Supplies	2,500	2,500	1,018	1,482
Dues and Memberships	2,800	2,800	588	2,212
Small Equipment Purchases	0	0	993	(993)
Surety Bonds	1,200	1,200	100	1,100
TBI Access Missing Children	2,500	2,500	2,680	(180)
Travel Expenses	5,000	5,000	3,163	1,837
Training Expenses	3,000	3,000	1,025	1,975
Uniforms	1,000	1,200	1,074	126
Utilities – Cell Phones and Pagers	1,500	1,500	657	843
Utilities – General Telephone	<u>46,000</u>	<u>46,000</u>	<u>51,242</u>	<u>(5,242)</u>
Total Operating Expenses	<u>373,700</u>	<u>373,700</u>	<u>427,599</u>	<u>(53,899)</u>
Operating Income (Loss)	\$ 34,758	\$ 34,758	\$ (73,902)	\$ (108,660)

See Independent Auditors' Report

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (Continued)  
(CASH BASIS BUDGET)  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget (Cash Basis)	Final Budget (Cash Basis)	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Non-Operating Revenues (Expenses)				
Reimbursement TN ECB				
Grants and Reimbursements	\$ 10,000	\$ 10,000	\$ 33,255	\$ 23,255
Interest Income	600	600	339	(261)
Interest Expense	<u>0</u>	<u>0</u>	<u>(943)</u>	<u>(943)</u>
Non-Operating Revenues (Expenses)	<u>10,600</u>	<u>10,600</u>	<u>32,651</u>	<u>22,051</u>
Increase (Decrease) in Net Assets	\$ <u>45,358</u>	\$ <u>45,358</u>	\$ <u>(41,251)</u>	\$ <u>86,609</u>
Reconciliation of Cash Basis to Accrual Basis:				
Depreciation Expense			\$ (69,578)	
Capital Purchases			41,294	
Decrease in Accounts Receivable			(7,723)	
Decrease in Due from TN ECB			(34,670)	
Principal Payment on Note			60,000	
Decrease in Accounts Payable			3,708	
Decrease in Accrued Interest			<u>518</u>	
Net Reconciliation Cash to Accrual			\$ <u>(6,451)</u>	
Decrease in Net Assets (Accrual)			\$ <u>(47,702)</u>	

See Independent Auditors' Report

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
(CASH BASIS BUDGET)  
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget (Cash Basis)	Final Budget (Cash Basis)	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Operating Revenue:				
Emergency Telephone Service				
Charges	\$ 180,578	\$ 180,578	\$ 170,256	\$ (10,322)
TN ECB Shared Wireless Charges	154,600	154,600	36,251	(118,349)
TN ECB Operational Funding	0	0	71,807	71,807
Other Income	<u>12,000</u>	<u>12,000</u>	<u>6,000</u>	<u>(6,000)</u>
Total Operating Revenue	347,178	347,178	284,314	(62,864)
Operating Expenses:				
Audit Services	6,000	6,000	1,000	5,000
Accounting Services	6,000	6,000	3,500	2,500
Contracts with Government Agency	64,000	64,200	60,000	4,200
Director	34,145	34,145	34,145	0
Dispatchers	151,355	151,355	151,355	0
Bonuses	14,400	14,400	13,550	850
Data Processing	8,000	9,000	9,121	(121)
Facility Relocation Expenses	1,000	900	976	(76)
Lease Office Equipment	2,500	2,600	2,696	(96)
Licenses & Fees	1,300	800	0	800
Maintenance & Repairs – Communication				
Equipment	6,300	6,350	6,347	3
Maintenance & Repairs - Vehicles	300	300	143	157
Maintenance Agreements	0	0	985	(985)
Office Supplies	6,000	5,750	6,028	(278)
Postage	300	300	376	(76)
Custodial Supplies	1,000	1,000	1,061	(61)
Dues and Memberships	1,500	500	540	(40)
Small Equipment Purchases	1,000	1,000	1,500	(500)
Surety Bonds	1,200	1,200	100	1,100
TBI Access Missing Children	2,000	2,000	1,260	740
Test & Examinations	100	100	0	100
Travel Expense	5,000	5,740	6,007	(267)
Training Expense	2,000	3,500	3,444	56
Uniforms	500	260	157	103
Utilities – Cell Phones and Pagers	1,500	500	454	46
Utilities – General Telephone	<u>38,000</u>	<u>38,000</u>	<u>39,687</u>	<u>(1,687)</u>
Total Operating Expenses	<u>355,400</u>	<u>355,900</u>	<u>344,432</u>	<u>11,468</u>
Operating Income (Loss)	\$ (8,222)	\$ (8,722)	\$ (60,118)	\$ (51,396)

See Independent Auditors' Report

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
(CASH BASIS BUDGET)  
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget (Cash Basis)	Final Budget (Cash Basis)	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Non-Operating Revenues (Expenses)				
TN ECB Grants and Reimbursements	\$ 10,000	\$ 10,000	\$ 14,673	\$ 4,673
Interest Income	2,200	2,200	1,972	(228)
Interest Expense	<u>0</u>	<u>0</u>	<u>(3,140)</u>	<u>(3,140)</u>
Net Non-Operating Revenues (Expenses)	<u>12,200</u>	<u>12,200</u>	<u>13,505</u>	<u>1,305</u>
Increase (Decrease) in Net Assets	\$ <u>3,978</u>	\$ <u>3,478</u>	\$ <u>(46,613)</u>	\$ <u>(50,091)</u>
Reconciliation of Cash Basis to Accrual Basis:				
Depreciation Expense			\$ (72,485)	
Increase in Accounts Receivable			6,927	
Increase in Due from TN ECB			27,561	
Principal Payment on Note			60,000	
Increase in Accounts Payable			(3,618)	
Decrease in Accrued Interest			<u>571</u>	
Net Reconciliation Cash to Accrual			\$ <u>18,956</u>	
Decrease in Net Assets (Accrual)			\$ <u>(27,657)</u>	

See Independent Auditors' Report

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF INFORMATION REQUIRED BY  
THE TENNESSEE EMERGENCY COMMUNICATIONS BOARD  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

The following information is required by the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts Effective July 1, 2004*, published by State of Tennessee Comptroller of the Treasury, Division of County Audit.

1. The number of public safety answering points (PSAP)? **Three**
2. The address of each PSAP? **102 North Main Street, Erwin, Tennessee 37650**
3. The type of system/equipment and database used by each PSAP? **Phone System – Genisis CAD, A HP computer stores the phone numbers that come into the system.**
4. The name, address, telephone number and fax number of the Director of the Emergency Communications District?

**Mrs. Patsy Ledford, Director**  
**Unicoi County Sheriff's Department**  
**P.O. Box 529**  
**Erwin, TN 37650**  
**Phone: (423) 743-1850**  
**Fax: (423) 743-0555**

5. The name, address, telephone number, and fax number of the Chairman of the Emergency Communications District?

**W.A Wilson**  
**355 Wilson Road**  
**Erwin, TN 37650**  
**Phone: (423) 743-6979**  
**Fax: (423) 743-0555**



## INTERNAL CONTROL AND COMPLIANCE SECTION

# Lewis & Associates, P.C.

— Certified Public Accountants —

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Jeff Jennings, CPA  
Jennifer C. Penix, CPA  
Michel G. O'Rourke, CPA  
Karen Glover, CPA

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Unicoi County Emergency Communications District

We have audited the financial statements of the Unicoi County Emergency Communications District as of and for the years ended June 30, 2010 and 2009 and have issued our report thereon dated February 14, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing the audit of the financial statements of the Unicoi County Emergency Communications District as of and for the years ended June 30, 2010 and 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Unicoi County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Unicoi County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Unicoi County Emergency Communications District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore there can be no assurance that all such deficiencies have been identified. However as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Unicoi County Emergency Communications District's internal control to be material weaknesses:



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Members: American Institute of Certified Public Accountants • Tennessee Society of Certified Public Accountants  
Virginia Society of Certified Public Accountants

### Financial Statement Preparation

As required by SAS 115, *Communicating Internal Control Related Matters Identified in an Audit*, those responsible for the accounting and reporting function must have the skills and knowledge to apply generally accepted accounting principles in the preparation of the Organization's financial statements. The Unicoi County Communication District does not have personnel with qualifications and training to fulfill these responsibilities. The Unicoi County Communication District did not prepare the Unicoi County Communication's District financial statements and therefore, we as the auditor, drafted the financial statements in accordance with generally accepted accounting principles.

#### Recommendation:

We recommend that for future years, Unicoi County Communications District obtain the training required to prepare the financial statements in accordance with generally accepted accounting principles or contract that function with someone outside the entity that is capable of preparing the financial statements and is not employed by the audit firm.

#### Management Response:

This recommendation will be discussed by the Board of Directors to determine if the cost verses the benefit of obtaining the knowledge to prepare the financial statements or of hiring an outside firm to prepare the financial statements.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in Unicoi County Emergency Communications District's internal control to be a significant deficiency.

### Segregation of Duties

Due to the small size of the bookkeeping staff, the segregation of duties is determined to be inadequate. No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. The bookkeeper handles all income checks, posts receipts to revenue accounts, takes the deposit to the bank, and receives and reconciles the monthly bank statement.

#### Recommendation:

We recommend that employees other than the bookkeeper open the mail, prepare a list of cash received, and prepare the deposit slip. The bank statement and canceled checks should be reviewed by management before turning them over to the bookkeeper to prepare the bank reconciliations.

#### Management Response:

Management acknowledges that segregation of duties is less than ideal but believes that the benefits of adding staff to provide greater segregation would not justify the added costs.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unicoi County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is as follows:

### Exceeding of Budget

*Tennessee Code Annotated* Section 7-86-120 states that no emergency communications district may spend money except in accordance with an adopted budget. The Schedule of Revenues and Expenses - Budget and Actual beginning on page 14 of the District's financial statements for the year ended June 30, 2010, showed several expense line items that exceeded the adopted budget.

#### Recommendation:

The Board should be more diligent in amending the budget to comply with *Tennessee Code Annotated* Section 7-86-120.

#### Management Response:

The District recognizes the problem. We will be more diligent to amend the budget in order to comply with *Tennessee Code Annotated* Section 7-86-120.

The Unicoi County Emergency Communications District's response to the findings identified in our audit is described above. We did not audit the Unicoi County Emergency Communications' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, the audit committee, others within the organization, and the State of Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Associates, P.C.  
Lewis & Associates, P.C.  
Johnson City, Tennessee

February 14, 2011